

CITY OF DYSART, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
June 30, 2005**

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CITY OF DYSART

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Wieben	Mayor	January 2008
Ed Clouse	Council Member	January 2006
Joseph Coffey	Council Member	January 2006
Rich Kavalier	Council Member	January 2006
Ora Hennessy	Council Member	January 2008
Don Lyons	Council Member	January 2008
Roxanne Schneider	City Clerk and Treasurer	Indefinite
Sadie Weekly	Deputy Clerk	Indefinite
Nancy Burk	City Attorney	Indefinite

CITY OF DYSART

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Dysart, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City of Dysart's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dysart's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2005 on our consideration of the City of Dysart's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Dysart's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, 2003, and 2002 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned basic financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 24, 2005

CITY OF DYSART

Management's Discussion and Analysis

The City of Dysart provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased approximately .9% or \$7,373, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$21,731.
- Governmental disbursements decreased approximately \$2,138,851 from fiscal year 2004 to fiscal year 2005. Public safety disbursements increased approximately \$55,927, and debt service disbursements increased approximately \$74,172. Capital projects disbursements decreased by \$2,208,164.
- The City's total cash basis net assets increased approximately 4.5%, or approximately \$77,162, from June 30 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$85,858, and the assets of the business type activities increased by approximately \$163,020.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the Water Fund, Sanitary Sewer Fund, Electric Fund and Garbage Service Fund. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

REPORTING THE CITY'S FINANCIAL ACTIVITIES (continued)

Fund Financial Statements

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four major Enterprise Funds to provide separate information for the water, sewer, garbage and electric funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$806 thousand to approximately \$721 thousand. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	<u>2005</u>	<u>2004</u>
Receipts & transfers:		
Program Receipts:		
Charges for service	\$ 125,824	\$ 101,096
Capital grants, contributions and restricted interest	52,080	117,217
Operating grants, contributions and restricted interest	157,703	0
General Receipts:		
Property Tax	300,357	278,626
Local option sales tax	61,980	50,325
TIF Revenues	99,898	70,266
Other city tax	3,165	3,189
Unrestricted investment earnings	2,719	2,453
Bond proceeds	0	1,336,806
Other general receipts	3,674	176,855
Net transfers in (out)	<u>32,086</u>	<u>258,955</u>
Total receipts & transfers	839,486	2,395,788
Disbursements:		
Public Safety	237,893	181,966
Public Works	75,172	125,372
Health and social services	0	342
Culture and recreation	184,565	197,107
Community & economic development	22,986	19,033
General government	41,698	43,353
Debt Service	207,811	133,639
Capital projects	<u>155,219</u>	<u>2,363,383</u>
Total disbursements & transfers	925,344	3,064,195
Increase (decrease) in cash basis net assets	(85,858)	(668,407)
Cash basis net assets beginning of year	<u>806,732</u>	<u>1,475,139</u>
Cash basis net assets end of year	<u>\$ 720,874</u>	<u>\$ 806,732</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The City's total receipts for governmental activities decreased by approximately \$1.5 million, from \$2,395,788 to \$839,488. The total cost of all programs and services decreased by approximately 70%, or \$2,138,851. The significant decrease in expenditures was due to the completion of several capital projects, such as the aquatic center, water main installation, and library project, in the previous year.

Property tax rates for 2005 increased by \$.67/\$1000 of valuation, to \$11.7287/\$1000. The increase in property tax revenues of \$21,731 was largely due a voter-approved tax levy to fund the construction of a new aquatic center. Local option sales tax revenues in the amount of \$61,980 were also received in fiscal year 2005, an increase of \$11,655 over fiscal year 2004. TIF Revenues increased by \$29,632. The increased TIF revenues were used to service the aquatic center debt, and for housing rebates due.

The remaining governmental program expenses remained similar to the previous year. Public Safety expenditures increased by \$55,927 due to the purchase of a new ambulance. Public Works expenditures decreased by \$50,200, primarily due to a much smaller street maintenance program in fiscal year 2005. Debt Service payments increased by approximately \$74,172 due to the Aquatic Center bond issue, and Capital Projects decreased dramatically from \$2,363,383 to \$155,219, due to the completion of the aquatic center, water main installation, and library project.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2005	2004
Receipts & transfers:		
Program Receipts:		
Charges for service:		
Water	\$ 256,769	\$ 281,776
Sewer	89,491	92,378
Electric	833,719	755,755
Garbage	262,791	216,845
Capital grants, contributions and restricted interest	-	89
Unrestricted investment earnings	4,543	-
Other general receipts	59,673	-
Transfers in	141,925	-
Total receipts & transfers	1,648,911	1,352,394
Disbursements:		
Water	207,935	221,718
Sewer	54,108	58,473
Electric	683,615	655,626
Garbage	298,959	202,413
Debt Service	67,265	
Transfers out	174,011	258,955
Total disbursements & transfers	1,485,893	1,397,185
Increase (decrease) in cash basis net assets	163,018	(44,791)
Cash basis net assets beginning of year	803,624	848,415
Cash basis net assets end of year	\$ 966,642	\$ 803,624

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Total business type activities receipts and transfers in for the fiscal year were \$1.649 million compared to \$1.352 million last year. This increase was due primarily to the increased in electric and garbage rates. Total disbursements and transfers out for the fiscal year increased by \$88,708, or approximately 6.3%. This was primarily due to the purchase of a new garbage truck, and end loader.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dysart completed the year, its governmental funds reported a combined fund balance of \$720,874, a decrease of approximately \$86,000 below last year's total of \$806,732. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$30,955 from the prior year to \$465,571. Most of this decrease was due to use of cash reserves for the purchase of a new ambulance.
- The Road Use Tax Fund cash balance increased by \$33,371 to \$86,255 during the fiscal year. The increase was attributable to a smaller street project during fiscal year 2005.
- The Pool Project Fund showed a decrease of \$67,198, for a balance of \$7,686, due to the fact that the aquatic center was substantially completed in the summer of 2004.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$57,078 to \$240,880, due primarily to reduced operating costs and professional fees.
- The Sewer Fund cash balance increased by \$28,027 to \$140,225, again, primarily due to various decreased operating costs.
- The Electric Fund cash balance increased \$71,255 to \$494,665. Increased operating revenues reflected the electric rate increase in January 2004, and the power cost adjustment that took effect in January of 2005.

BUDGETARY HIGHLIGHTS

The City amended its budget on May 11, 2005, showing an increase in expenditures of \$211,679. Of this increase, approximately \$81,000 was for the purchase of a garbage truck, and \$63,000 was for the completion of the aquatic center. The balance of the increase was for increased general operating costs. The city had sufficient cash on hand to finance the increased operating costs.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$1,960,268 in bonds and other long-term debt, compared to \$2,173,810 last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30, <u>2005</u>	<u>2004</u>
General obligation bonds & notes	\$ 1,445,000	\$ 1,601,538
Revenues bonds	500,000	550,000
Capital Lease	<u>15,268</u>	<u>22,272</u>
Total	<u>\$ 1,960,268</u>	<u>\$ 2,173,810</u>

No new debt was incurred during fiscal year 2005.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is \$2,627,465. With outstanding general obligation debt of \$1,460,265, the city currently is using approximately 56% of its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Dysart's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities.

Budgets for various departments have remained fairly consistent with past years. The property tax rate for fiscal year 2006 will increase less than 1%, from \$11.728/\$1000 in valuation, to \$11.832/\$1000.

Budgeted disbursements are expected to increase approximately \$28,000, primarily due to a general increase in operating expenses such as fuel, insurance, etc. The City has added no major new programs or initiatives to the 2006 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roxanne L. Schneider, City Clerk, 601 Wilson Street, PO Box 686, Dysart, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF DYSART

Statement of Activities and Net Assets - Cash Basis

As of and For the Year Ended June 30, 2005

FUNCTIONS/PROGRAMS:	<u>Disbursements</u>	<u>Charges for Services</u>
Governmental activities:		
Public safety	\$ 237,893	\$ 59,629
Public works	75,172	-
Health and social services	-	-
Culture and recreation	184,566	43,469
Community and economic development	22,985	1,446
General government	41,698	17,016
Debt service	207,811	-
Capital projects	<u>155,219</u>	<u>4,264</u>
Total governmental activities	<u>925,344</u>	<u>125,824</u>
Business type activities:		
Water	207,935	275,162
Sewer	54,108	90,294
Electric	750,880	874,196
Garbage	<u>298,959</u>	<u>262,791</u>
Total business type activities	<u>1,311,882</u>	<u>1,502,443</u>
Total	<u>\$ 2,237,226</u>	<u>\$ 1,628,267</u>
GENERAL RECEIPTS:		
Property taxes levied for:		
General Purposes		
Employee benefits		
Tax increment financing		
Debt service		
Other city tax		
Local option sales tax		
Grants and contributions not restricted to specific purpose		
Unrestricted interest on investments		
Bond proceeds		
Miscellaneous		
Transfers		
Total general receipts and transfers		

Exhibit A

<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 20,069	\$ -	\$ (158,195)	\$ -	\$ (158,195)
108,339	-	33,167	-	33,167
-	-	-	-	-
8,507	16	(132,574)	-	(132,574)
24	-	(21,515)	-	(21,515)
20,764	-	(3,918)	-	(3,918)
-	-	(207,811)	-	(207,811)
-	52,064	(98,891)	-	(98,891)
<u>157,703</u>	<u>52,080</u>	<u>(589,737)</u>	<u>-</u>	<u>(589,737)</u>
-	-	-	67,227	67,227
-	-	-	36,186	36,186
-	-	-	123,316	123,316
-	-	-	(36,168)	(36,168)
<u>-</u>	<u>-</u>	<u>-</u>	<u>190,561</u>	<u>190,561</u>
<u>\$ 157,703</u>	<u>\$ 52,080</u>	<u>\$ (589,737)</u>	<u>\$ 190,561</u>	<u>\$ (399,176)</u>
		223,003	-	223,003
		37,490	-	37,490
		99,898	-	99,898
		39,864	-	39,864
		3,165	-	3,165
		61,980	-	61,980
		-	-	-
		2,719	4,543	7,262
		-	-	-
		3,674	-	3,674
		<u>32,086</u>	<u>(32,086)</u>	<u>-</u>
		<u>503,879</u>	<u>(27,543)</u>	<u>476,333</u>

(continued)

CITY OF DYSART

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2005

	<u>Disbursements</u>	<u>Charges for Services</u>
CHANGE IN CASH BASIS NET ASSETS		
CASH BASIS NET ASSETS, BEGINNING		
CASH BASIS NET ASSETS, ENDING		
CASH BASIS IN NET ASSETS:		
Restricted:		
Streets		
Urban renewal purposes		
Debt service		
Other purposes		
Unrestricted		
TOTAL CASH BASIS NET ASSETS		

Exhibit A

<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
		(85,858)	163,018	77,160
		<u>806,732</u>	<u>803,624</u>	<u>1,610,356</u>
		<u>\$ 720,874</u>	<u>\$ 966,642</u>	<u>\$ 1,687,516</u>
		\$ 86,255	\$ -	\$ 86,255
		54,955	-	54,955
		29,554	6,010	35,564
		84,539	84,862	169,401
		<u>465,571</u>	<u>875,770</u>	<u>1,341,341</u>
		<u>\$ 720,874</u>	<u>\$ 966,642</u>	<u>\$ 1,687,516</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Governmental Funds

As of and for the Year Ended June 30, 2005

		<u>Special Revenue</u>
	<u>General</u>	<u>Road Use Tax</u>
RECEIPTS:		
Property tax	\$ 223,003	\$ -
Tax increment financing collections	-	-
Other city tax	2,382	-
Licenses and permits	6,375	-
Use of money and property	10,965	-
Intergovernmental	6,744	108,339
Charges for services	95,328	-
Miscellaneous	<u>56,723</u>	<u>-</u>
Total receipts	<u>401,520</u>	<u>108,339</u>
DISBURSEMENTS:		
Operating:		
Public safety	219,055	-
Public works	204	74,968
Health and social services	-	-
Culture and recreation	175,524	-
Community and economic development	18,150	-
General government	41,698	-
Debt service	-	-
Capital projects	<u>-</u>	<u>-</u>
Total disbursements	<u>454,631</u>	<u>74,968</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(53,111)</u>	<u>33,371</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	42,922	-
Transfers out	<u>(20,766)</u>	<u>-</u>
Net other financing sources (uses)	<u>22,156</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	(30,955)	33,371
CASH BALANCE, BEGINNING	<u>496,526</u>	<u>52,884</u>
CASH BALANCE, ENDING	<u>\$ 465,571</u>	<u>\$ 86,255</u>

Exhibit B

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Pool Project</u>		
\$ -	\$ 77,354	\$ 300,357
-	99,898	99,898
-	62,673	65,145
-	-	6,375
39	2,005	13,009
43,268	-	158,351
-	-	95,328
<u>12,214</u>	<u>-</u>	<u>68,937</u>
<u>55,521</u>	<u>242,020</u>	<u>807,400</u>
-	18,838	237,893
-	-	75,172
-	-	-
-	9,042	184,566
-	4,835	22,985
-	-	41,698
-	207,811	207,811
<u>155,219</u>	<u>-</u>	<u>155,219</u>
<u>155,219</u>	<u>240,526</u>	<u>925,344</u>
<u>(99,698)</u>	<u>1,494</u>	<u>(117,944)</u>
32,500	203,555	278,977
<u>-</u>	<u>(226,125)</u>	<u>(246,891)</u>
<u>32,500</u>	<u>(22,570)</u>	<u>32,086</u>
(67,198)	(21,076)	(85,858)
<u>74,884</u>	<u>182,438</u>	<u>806,732</u>
<u>\$ 7,686</u>	<u>\$ 161,362</u>	<u>\$ 720,874</u>

(continued)

CITY OF DYSART

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances - Governmental Funds**

As of and for the Year Ended June 30, 2005

	<u>Special Revenue</u>	
	<u>General</u>	<u>Road Use Tax</u>
CASH BASIS FUND BALANCE:		
Reserved:		
Debt Service	\$ -	\$ -
Unreserved:		
General	465,571	-
Special revenue funds	-	86,255
Capital projects funds	-	-
	<hr/>	<hr/>
Total cash basis fund balance	<u>\$ 465,571</u>	<u>\$ 86,255</u>

Exhibit B

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Pool Project</u>		
\$ -	\$ 29,554	\$ 29,554
-	-	465,571
-	78,839	165,094
<u>7,686</u>	<u>52,969</u>	<u>60,655</u>
<u>\$ 7,686</u>	<u>\$ 161,362</u>	<u>\$ 720,874</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

CITY OF DYSART

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances - Proprietary Funds**

As of and for the Year Ended June 30, 2005

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
OPERATING RECEIPTS:			
Charges for services	\$ 256,769	\$ 89,491	\$ 833,719
Miscellaneous	<u>18,393</u>	<u>803</u>	<u>40,477</u>
Total operating receipts	<u>275,162</u>	<u>90,294</u>	<u>874,196</u>
OPERATING DISBURSEMENTS:			
Business type activities:			
Water	207,935	-	-
Sewer	1,203	52,905	-
Electric	-	-	683,615
Garbage	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>209,138</u>	<u>52,905</u>	<u>683,615</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>66,024</u>	<u>37,389</u>	<u>190,581</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	1,054	638	1,998
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>1,054</u>	<u>638</u>	<u>1,998</u>
Excess (deficiency) of receipts over (under) disbursements	67,078	38,027	192,579
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	8,503
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(129,827)</u>
Net other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(121,324)</u>

Exhibit C

Nonmajor Enterprise Funds	Total
\$ 262,791	\$ 1,442,770
<u>-</u>	<u>59,673</u>
<u>262,791</u>	<u>1,502,443</u>
-	207,935
-	54,108
-	683,615
<u>298,959</u>	<u>298,959</u>
<u>298,959</u>	<u>1,244,617</u>
<u>(36,168)</u>	<u>257,826</u>
853	4,543
<u>(67,265)</u>	<u>(67,265)</u>
<u>(66,412)</u>	<u>(62,722)</u>
(102,580)	195,104
133,422	141,925
<u>(24,184)</u>	<u>(174,011)</u>
<u>109,238</u>	<u>(32,086)</u>

(continued)

CITY OF DYSART

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances - Proprietary Funds**

As of and for the Year Ended June 30, 2005

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
NET CHANGE IN CASH BALANCE	\$ 57,078	\$ 28,027	\$ 71,255
CASH BALANCE, BEGINNING	<u>183,802</u>	<u>112,198</u>	<u>423,410</u>
CASH BALANCE, ENDING	<u>\$ 240,880</u>	<u>\$ 140,225</u>	<u>\$ 494,665</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved	<u>240,880</u>	<u>140,225</u>	<u>494,665</u>
Total cash basis fund balance	<u>\$ 240,880</u>	<u>\$ 140,225</u>	<u>\$ 494,665</u>

Exhibit C

Nonmajor Enterprise Funds	Totals
\$ 6,658	\$ 163,018
<u>84,214</u>	<u>803,624</u>
<u>\$ 90,872</u>	<u>\$ 966,642</u>
\$ 6,010	\$ 6,010
<u>84,862</u>	<u>960,632</u>
<u>\$ 90,872</u>	<u>\$ 966,642</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

CITY OF DYSART

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Dysart, a political subdivision of the State of Iowa, is located in Tama County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama County E911 Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF DYSART
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

Capital Projects:

The Pool Project Fund is utilized to account for transactions involved in construction of a pool.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for operation of the City's electric utility.

CITY OF DYSART
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The City of Dysart maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the capital projects and community/economic development functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF DYSART
Notes to Financial Statements
June 30, 2005

(2) Cash and Pooled Investments (continued)

The City maintains funds in an automated cash management trust and investment account with a financial institution. This is a yield maintenance repurchase agreement. The financial institution purchases securities for the City and agrees to repurchase those securities with settlement daily at yield specified by the agreement. This investment is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. The cost of this investment as of June 30, 2005 was \$680,694, which approximates fair market value.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation notes, and revenue bonds are as follows:

	General Obligation Notes		Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 95,000	\$ 45,044	\$ 55,000	\$ 16,065	\$ 150,000	\$ 61,109
2007	95,000	42,606	55,000	14,965	150,000	57,571
2008	100,000	40,169	60,000	13,645	160,000	53,814
2009	100,000	38,489	60,000	11,935	160,000	50,424
2010	105,000	36,569	65,000	10,075	170,000	46,644
2011	75,000	34,274	65,000	7,865	140,000	42,139
2012	75,000	32,624	70,000	5,460	145,000	38,084
2013	60,000	30,864	70,000	2,800	130,000	33,664
2014	60,000	28,854	-	-	60,000	28,854
2015	65,000	26,754	-	-	65,000	26,754
2016	65,000	24,414	-	-	65,000	24,414
2017	70,000	22,009	-	-	70,000	22,009
2018	70,000	19,349	-	-	70,000	19,349
2019	75,000	16,619	-	-	75,000	16,619
2020	80,000	13,618	-	-	80,000	13,618
2021	80,000	10,419	-	-	80,000	10,419
2022	85,000	7,219	-	-	85,000	7,219
2023	<u>90,000</u>	<u>3,713</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>3,713</u>
Total	<u>\$1,445,000</u>	<u>\$ 473,607</u>	<u>\$ 500,000</u>	<u>\$ 82,810</u>	<u>\$1,945,000</u>	<u>\$ 556,417</u>

CITY OF DYSART
Notes to Financial Statements
June 30, 2005

(3) Bonds and Notes Payable (continued)

A general obligation note was issued for the purpose of defraying a portion of the costs of constructing a library. Proceeds from this note were received April 29, 2003, and is payable to the Farmers Cooperative Telephone Company, Dysart, Iowa, due in annual installments of \$20,000 with 0.0% interest. The balance of this note at June 30, 2005 was \$140,000.

A general obligation note was issued for the purpose of constructing a new pool. This note is dated July 1, 2003 with interest rates ranging between 2.10% and 4.125%. The note is due in annual installments ranging between \$60,000 and \$90,000. The balance of this note due at June 30, 2005 was \$1,305,000.

Electric revenue bonds were issued March 1, 2003 with interest rates ranging between 1.50% and 4.00%. These bonds are due in annual installments of \$50,000 to \$70,000, plus interest. Bonds outstanding at June 30, 2005 amount to \$500,000.

(4) Leases

During the year ended June 30, 2000, the City, in cooperation with the Dysart Rural Fire Department, entered into a lease for a fire truck expiring during the fiscal year June 30, 2007, with an interest rate of 5.89%.

The City's portion of the minimum future lease payments under this capital lease is as follows:

	<u>Fire Truck</u>
2006	\$ 8,315
2007	<u>8,315</u>
Total lease payments	16,630
Less amount representing interest	<u>1,362</u>
Present value of net minimum lease payments	<u><u>\$ 15,268</u></u>

CITY OF DYSART
Notes to Financial Statements
June 30, 2005

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$20,127, \$18,102, and \$17,101, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 120 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2005 was \$7,390. This liability has been computed based on rates of pay in effect at June 30, 2005.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Capital projects:	
	Library project	\$ 5,000
	Special revenue:	
	Employee benefits	<u>37,922</u>
		<u>42,922</u>

CITY OF DYSART
Notes to Financial Statements
June 30, 2005

(7) **Interfund Transfers** (continued)

Transfer to	Transfer from	Amount
Special revenue: LMI housing	Special revenue: TIF revenue	<u>6,650</u>
Debt service: TIF debt	Special revenue: TIF revenue	<u>69,041</u>
Debt service: Library debt	General	<u>20,000</u>
Debt service: Pool debt	Special revenue: Local option sales tax	66,670
	Debt service: Debt service	<u>21,364</u>
		<u>88,034</u>
Debt service: Housing debt	Debt service: Debt service	<u>19,464</u>
Capital projects: Library project	General	351
	Special Revenue: Carver fund	<u>15</u>
		<u>366</u>
Capital projects: Pool project	Enterprise: Water utility	10,000
	Sewer utility	10,000
	Electric utility	<u>12,500</u>
		<u>32,500</u>
Enterprise: Garbage truck replacement	Enterprise: Garbage	15,680
	Electric utility	<u>50,020</u>
		<u>65,700</u>
Debt service: Electric debt	Enterprise: Electric utility	<u>67,307</u>

CITY OF DYSART
Notes to Financial Statements
June 30, 2005

(7) Interfund Transfers (continued)

Transfer to	Transfer from	Amount
Enterprise: Electric utility	Enterprise: Garbage	<u>8,503</u>
Enterprise: Garbage	General	<u>415</u>
Total		<u>\$ 420,902</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City of Dysart is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Commitments

The City has entered into an agreement for road construction. Estimated costs of the project are \$117,000, none of which has been paid as of June 30, 2005.

The City of Dysart participates in a 28E organization with Tama County and other cities in Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated costs of closure and postclosure care as of June 30, 1998, the most recent date for which such information is available, is approximately \$1,047,000. The City of Dysart will share in these costs on a per capita basis with the other organizations in the 28E organization. The City's share of these estimated costs is \$74,000.

Under a wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Resale Power Group of Iowa through December 2005. The rates for such purchases are subject to review annually. Although there are other suppliers of electric power, a change in supplier would cause a delay, which could ultimately affect operating results.

Under a water purchase contract, the City is committed to the purchase of bulk water from Poweshiek Water Association through December 2038. The rates for such purchases are subject to review annually.

CITY OF DYSART
Notes to Financial Statements
June 30, 2005

(9) **Commitments** (continued)

In March 1994, the City agreed to pay the Medicare supplement for a retired City employee. The estimated liability for these benefits has not been determined. The cost to the City for the year ended June 30, 2005 was \$4,714.

The City, in cooperation with the Dysart Rural Fire Department, is leasing a fire truck. The City is responsible for each payment and is later reimbursed for 50% of the payment by the Rural Fire Department. Therefore, the City is contingently liable for the remaining portion of the capital lease, which amounts to \$15,268, as of June 30, 2005.

(10) **Related Party Transactions**

The City had business transactions between the City and a city official business totaling \$727.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DYSART

**Budgetary Comparison Schedule of Receipts, Disbursements, and
Changes in Balances - Budget to Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds**

Required Supplemental Information

Year Ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
RECEIPTS:		
Property tax	\$ 300,357	\$ -
Tax increment financing collections	99,898	-
Other city tax	2,762	-
Licenses and permits	6,375	-
Use of money and property	74,707	4,543
Intergovernmental	158,351	-
Charges for services	95,328	1,442,770
Special assessments	-	-
Miscellaneous	<u>69,622</u>	<u>59,673</u>
Total receipts	<u>807,400</u>	<u>1,506,986</u>
DISBURSEMENTS:		
Public safety	237,893	-
Public works	75,172	-
Health and social services	-	-
Culture and recreation	184,566	-
Community and economic development	22,985	-
General government	41,698	-
Debt service	207,811	67,265
Capital projects	155,219	-
Business type activities	<u>-</u>	<u>1,244,617</u>
Total disbursements	<u>925,344</u>	<u>1,311,882</u>
Excess (deficiency) of receipts over (under) disbursements	(117,944)	195,104
OTHER FINANCING SOURCES, NET	<u>32,086</u>	<u>(32,086)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(85,858)	163,018
BALANCE, BEGINNING OF YEAR	<u>806,732</u>	<u>803,624</u>
BALANCE, END OF YEAR	<u>\$ 720,874</u>	<u>\$ 966,642</u>

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 300,357	\$ 303,358	\$ 303,358	\$ (3,001)
99,898	99,353	99,353	545
2,762	45,177	45,177	(42,415)
6,375	3,580	3,580	2,795
79,250	6,500	6,500	72,750
158,351	111,017	111,017	47,334
1,538,098	1,494,776	1,494,776	43,322
-	-	-	-
<u>129,295</u>	<u>43,715</u>	<u>43,715</u>	<u>85,580</u>
<u>2,314,386</u>	<u>2,107,476</u>	<u>2,107,476</u>	<u>206,910</u>
237,893	249,595	249,595	11,702
75,172	79,020	89,966	14,794
-	-	-	-
184,566	154,800	190,519	5,953
22,985	9,500	24,556	1,571
41,698	46,180	51,920	10,222
275,076	315,254	315,254	40,178
155,219	80,000	143,163	(12,056)
<u>1,244,617</u>	<u>1,247,862</u>	<u>1,328,917</u>	<u>84,300</u>
<u>2,237,226</u>	<u>2,182,211</u>	<u>2,393,890</u>	<u>156,664</u>
77,160	(74,735)	(286,414)	363,574
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
77,160	(74,735)	(286,414)	363,574
<u>1,610,356</u>	<u>1,277,477</u>	<u>1,296,193</u>	<u>314,163</u>
<u>\$ 1,687,516</u>	<u>\$ 1,202,742</u>	<u>\$ 1,009,779</u>	<u>\$ 677,737</u>

This information should be read only in connection
with the accompanying auditor's report.

CITY OF DYSART

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similarly statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$211,679. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the capital projects, culture and recreation, and community and economic development functions prior to amendment of the budget dated May 11, 2005. For the year ended June 30, 2005, actual disbursements exceeded the budget amount in the capital projects function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF DYSART

Schedule 1

Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the Year Ended June 30, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
RECEIPTS:				
Property tax	\$ 37,490	\$ 39,864	\$ -	\$ 77,354
Tax increment financing collections	99,898	-	-	99,898
Other city tax	62,383	380	-	62,763
Use of money and property	685	506	814	2,005
Miscellaneous	-	-	-	-
Total receipts	<u>200,456</u>	<u>40,750</u>	<u>814</u>	<u>242,020</u>
DISBURSEMENTS:				
Operating:				
Public safety	-	18,838	-	18,838
Culture and recreation	9,042	-	-	9,042
Community and economic development	4,835	-	-	4,835
Debt service	-	207,811	-	207,811
Capital projects	-	-	-	-
Total disbursements	<u>13,877</u>	<u>226,649</u>	<u>-</u>	<u>240,526</u>
Excess (deficiency) of receipts over (under) disbursements	<u>186,579</u>	<u>(185,899)</u>	<u>814</u>	<u>1,494</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,650	196,539	366	20,355
Transfers out	<u>(180,297)</u>	<u>(40,828)</u>	<u>(5,000)</u>	<u>(226,125)</u>
Net other financing sources (uses)	<u>(173,647)</u>	<u>155,711</u>	<u>(4,634)</u>	<u>(22,570)</u>
NET CHANGE IN CASH BALANCE	12,932	(30,188)	(3,820)	(21,076)

(continued)

CITY OF DYSART**Schedule 1****Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances****Nonmajor Governmental Funds****As of and for the Year Ended June 30, 2005**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
CASH BALANCE, BEGINNING	\$ <u>65,907</u>	\$ <u>59,742</u>	\$ <u>56,789</u>	\$ <u>182,438</u>
CASH BALANCE, ENDING	\$ <u>78,839</u>	\$ <u>29,554</u>	\$ <u>52,969</u>	\$ <u>161,362</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Debt service	\$ -	\$ 29,554	\$ -	\$ 29,554
Unreserved:				
Special revenue funds	78,839	-	-	78,839
Capital project funds	<u>-</u>	<u>-</u>	<u>52,969</u>	<u>52,969</u>
Total cash basis fund balance	\$ <u>78,839</u>	\$ <u>29,554</u>	\$ <u>52,969</u>	\$ <u>161,362</u>

See accompanying independent auditor's report.

CITY OF DYSART

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances**

Nonmajor Special Revenue Funds

As of and for the Year Ended June 30, 2005

	<u>Community Landscaping</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>TIF Revenue</u>
RECEIPTS:				
Property tax	\$ -	\$ 37,490	\$ -	\$ -
Tax increment financing collections	-	-	-	99,898
Other city tax	-	403	61,980	-
Use of money and property	<u>25</u>	<u>29</u>	<u>260</u>	<u>289</u>
Total receipts	<u>25</u>	<u>37,922</u>	<u>62,240</u>	<u>100,187</u>
DISBURSEMENTS:				
Operating:				
Culture and recreation	-	-	-	-
Community and economic development	<u>4,835</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>4,835</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>-</u>	<u>37,922</u>	<u>62,240</u>	<u>100,187</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>(37,922)</u>	<u>(66,670)</u>	<u>(75,690)</u>
Net other financing sources (uses)	<u>-</u>	<u>(37,922)</u>	<u>(66,670)</u>	<u>(75,690)</u>
NET CHANGE IN CASH BALANCE	(4,810)	-	(4,430)	24,497
CASH BALANCE, BEGINNING	<u>9,625</u>	<u>-</u>	<u>11,250</u>	<u>30,458</u>
CASH BALANCE, ENDING	<u>\$ 4,815</u>	<u>\$ -</u>	<u>\$ 6,820</u>	<u>\$ 54,955</u>
CASH BASIS FUND BALANCE:				
Unreserved:				
Special revenue funds	<u>\$ 4,815</u>	<u>\$ -</u>	<u>\$ 6,820</u>	<u>\$ 54,955</u>

Schedule 2

<u>LMI Housing</u>	<u>Project Share</u>	<u>Carver Trust Grant</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 37,490
-	-	-	99,898
-	-	-	62,383
<u>65</u>	<u>1</u>	<u>16</u>	<u>685</u>
<u>65</u>	<u>1</u>	<u>16</u>	<u>200,456</u>
-	-	9,042	9,042
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,835</u>
<u>-</u>	<u>-</u>	<u>9,042</u>	<u>13,877</u>
<u>65</u>	<u>1</u>	<u>(9,026)</u>	<u>186,579</u>
6,650	-	-	6,650
<u>-</u>	<u>-</u>	<u>(15)</u>	<u>(180,297)</u>
<u>6,650</u>	<u>-</u>	<u>(15)</u>	<u>(173,647)</u>
6,715	1	(9,041)	12,932
<u>5,444</u>	<u>89</u>	<u>9,041</u>	<u>65,907</u>
<u>\$ 12,159</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 78,839</u>
<u>\$ 12,159</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 78,839</u>

See accompanying independent auditor's report.

CITY OF DYSART

**Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances**

Nonmajor Debt Service Funds

As of and for the Year Ended June 30, 2005

	<u>Debt Service</u>	<u>Housing Debt</u>
RECEIPTS:		
Property tax	\$ 39,864	\$ -
Other city tax	380	-
Use of money and property	76	-
Miscellaneous	<u>-</u>	<u>-</u>
Total receipts	<u>40,320</u>	<u>-</u>
DISBURSEMENTS:		
Operating:		
Public safety	-	-
Debt service	<u>-</u>	<u>19,464</u>
Total disbursements	<u>-</u>	<u>19,464</u>
Excess (deficiency) of receipts over (under) disbursements	<u>40,320</u>	<u>(19,464)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	19,464
Operating transfers out	<u>(40,828)</u>	<u>-</u>
Net other financing sources (uses)	<u>(40,828)</u>	<u>19,464</u>
NET CHANGE IN CASH BALANCE	(508)	-
CASH BALANCE, BEGINNING	<u>2,148</u>	<u>-</u>
CASH BALANCE, ENDING	<u><u>\$ 1,640</u></u>	<u><u>\$ -</u></u>
CASH BASIS FUND BALANCE:		
Reserved:		
Debt service	<u><u>\$ 1,640</u></u>	<u><u>\$ -</u></u>

Schedule 3

<u>TIF Debt</u>	<u>Water Bond</u>	<u>Library Debt</u>	<u>Pool Debt</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 39,864
-	-	-	-	380
-	420	10	-	506
-	-	-	-	-
-	420	10	-	40,750
18,838	-	-	-	18,838
50,203	30,110	20,000	88,034	207,811
69,041	30,110	20,000	88,034	226,649
(69,041)	(29,690)	(19,990)	(88,034)	(185,899)
69,041	-	20,000	88,034	196,539
-	-	-	-	(40,828)
69,041	-	20,000	88,034	155,711
-	(29,690)	10	-	(30,188)
-	57,594	-	-	59,742
\$ -	\$ 27,904	\$ 10	\$ -	\$ 29,554
\$ -	\$ 27,904	\$ 10	\$ -	\$ 29,554

See accompanying independent auditor's report.

CITY OF DYSART

Schedule 4

Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Capital Projects Funds

As of and for the Year Ended June 30, 2005

	<u>Library Project</u>	<u>TIF</u>	<u>Total</u>
RECEIPTS:			
Use of money and property	\$ 807	\$ 7	\$ 814
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>807</u>	<u>7</u>	<u>814</u>
DISBURSEMENTS:			
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>807</u>	<u>7</u>	<u>814</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	366	-	366
Operating transfers out	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Net other financing sources (uses)	<u>(4,634)</u>	<u>-</u>	<u>(4,634)</u>
NET CHANGE IN CASH BALANCE	(3,827)	7	(3,820)
CASH BALANCE, BEGINNING	<u>55,897</u>	<u>892</u>	<u>56,789</u>
CASH BALANCE, ENDING	<u>\$ 52,070</u>	<u>\$ 899</u>	<u>\$ 52,969</u>
CASH BASIS FUND BALANCE:			
Unreserved:			
Capital project funds	<u>\$ 52,070</u>	<u>\$ 899</u>	<u>\$ 52,969</u>

See accompanying independent auditor's report.

CITY OF DYSART
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances

Nonmajor Enterprise Funds

As of and for the Year Ended June 30, 2005

	Electric Revenue <u>Debt</u>	Electric Revenue <u>Reserve</u>
OPERATING RECEIPTS	\$ -	\$ -
OPERATING DISBURSEMENTS:		
Business type activities	-	-
Excess (deficiency) of operating receipts over (under) disbursements	-	-
NONOPERATING RECEIPTS (DISBURSEMENTS):		
Interest on investments	170	480
Debt service	(67,265)	-
Net nonoperating receipts (disbursements)	(67,095)	480
Excess (deficiency) of receipts over (under) disbursements	(67,095)	480
OTHER FINANCING SOURCES (USES):		
Operating transfers in	67,307	-
Operating transfers out	-	-
Net other financing sources (uses)	67,307	-
NET CHANGE IN CASH BALANCE	212	480
CASH BALANCE, BEGINNING	5,798	60,638
CASH BALANCE, ENDING	<u>\$ 6,010</u>	<u>\$ 61,118</u>
CASH BASIS FUND BALANCE:		
Reserved:		
Debt service	\$ 6,010	\$ -
Unreserved	-	61,118
Total cash basis fund balance	<u>\$ 6,010</u>	<u>\$ 61,118</u>

Schedule 5

<u>Garbage Truck Replacement</u>	<u>Garbage</u>	<u>Meter Deposit</u>	<u>Total</u>
\$ -	\$ 262,791	\$ -	\$ 262,791
81,055	217,904	-	298,959
(81,055)	44,887	-	(36,168)
107	96	-	853
-	-	-	(67,265)
107	96	-	(66,412)
(80,948)	44,983	-	(102,580)
65,700	415	-	133,422
-	(24,184)	-	(24,184)
65,700	(23,769)	-	109,238
(15,248)	21,214	-	6,658
15,248	2,530	-	84,214
<u>\$ -</u>	<u>\$ 23,744</u>	<u>\$ -</u>	<u>\$ 90,872</u>
\$ -	\$ -	\$ -	\$ 6,010
-	23,744	-	84,862
<u>\$ -</u>	<u>\$ 23,744</u>	<u>\$ -</u>	<u>\$ 90,872</u>

See accompanying independent auditor's report.

CITY OF DYSART
Schedule of Indebtedness
Year Ended June 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Sewer bond	Jun. 27, 1995	4.54%	\$ 384,000
General obligation notes:			
Aquatic center	Jul. 1, 2003	2.10-4.125%	\$ 1,375,000
Housing debt	May 15, 1995	5.00%	150,000
Library note	May 8, 2002	0.00%	200,000
Total			
Revenue bonds:			
Electric	Mar. 1, 2003	1.50-4.00%	\$ 600,000
Capital lease:			
Fire truck	Aug. 31, 1999	5.89%	\$ 46,598

Schedule 6

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 48,000	\$ -	\$ 48,000	\$ -	\$ 2,179	\$ -
\$ 1,375,000	\$ -	\$ 70,000	\$ 1,305,000	\$ 47,844	\$ -
18,538	-	18,538	-	927	-
<u>160,000</u>	<u>-</u>	<u>20,000</u>	<u>140,000</u>	<u>-</u>	<u>-</u>
\$ 1,553,538	\$ -	\$ 108,538	\$ 1,445,000	\$ 48,771	\$ -
\$ 550,000	\$ -	\$ 50,000	\$ 500,000	\$ 16,965	\$ -
\$ 22,622	\$ -	\$ 7,354	\$ 15,268	\$ 961	\$ -

See accompanying independent auditor's report.

CITY OF DYSART

Schedule 7

Bond and Note Maturities

June 30, 2005

General Obligation Debt

<u>Library Note</u> <u>Issued May 8, 2002</u>				
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>		
2006	0.00%	\$ 20,000		
2007	0.00%	20,000		
2008	0.00%	20,000		
2009	0.00%	20,000		
2010	0.00%	20,000		
2011	0.00%	20,000		
2012	0.00%	<u>20,000</u>		
Total		<u>\$ 140,000</u>		
<u>Revenue Bonds</u> <u>Electric Bonds</u> <u>Issued March 1, 2003</u>			<u>Notes Payable</u> <u>General Obligation</u> <u>Issued July 1, 2003</u>	
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2006	2.00%	\$ 55,000	3.25%	\$ 75,000
2007	2.40%	55,000	3.25%	75,000
2008	2.85%	60,000	2.10%	80,000
2009	3.10%	60,000	2.40%	80,000
2010	3.40%	65,000	2.70%	85,000
2011	3.70%	65,000	3.00%	55,000
2012	3.80%	70,000	3.20%	55,000
2013	4.00%	70,000	3.35%	60,000
2014		-	3.50%	60,000
2015		-	3.60%	65,000
2016		-	3.70%	65,000
2017		-	3.80%	70,000
2018		-	3.90%	70,000
2019		-	4.00%	75,000
2020		-	4.00%	80,000
2021		-	4.00%	80,000
2022		-	4.125%	85,000
2023		<u>-</u>	4.125%	<u>90,000</u>
Total		<u>\$ 500,000</u>		<u>\$ 1,305,000</u>

See accompanying independent auditor's report.

CITY OF DYSART**Schedule 8****Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds****For the Last Four Years**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
RECEIPTS:				
Property tax	\$ 300,357	\$ 278,626	\$ 272,764	\$ 271,494
Tax increment financing collections	99,898	70,266	51,315	55,236
Other city tax	2,762	2,858	3,927	1,912
Licenses and permits	6,375	4,899	3,919	4,656
Use of money and property	74,707	66,078	16,716	29,723
Intergovernmental	158,351	187,520	133,947	132,805
Charges for service	95,328	75,886	61,540	71,832
Miscellaneous	<u>69,622</u>	<u>113,894</u>	<u>628,285</u>	<u>559,855</u>
Total	<u>\$ 807,400</u>	<u>\$ 800,027</u>	<u>\$ 1,172,413</u>	<u>\$ 1,127,513</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 237,893	\$ 181,966	\$ 185,701	\$ 160,608
Public works	75,172	125,372	44,567	112,747
Health and social services	-	342	328	352
Culture and recreation	184,566	197,107	291,449	112,921
Community and economic development	22,985	19,033	98,631	11,086
General government	41,698	43,353	81,858	76,702
Debt service	207,811	133,639	89,801	69,639
Capital projects	<u>155,219</u>	<u>2,363,383</u>	<u>700,663</u>	<u>34,438</u>
Total	<u>\$ 925,344</u>	<u>\$ 3,064,195</u>	<u>\$ 1,492,998</u>	<u>\$ 578,493</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

To the Honorable Mayor and
Members of the City Council
Dysart, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dysart as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated August 24, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dysart's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Dysart's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe Item I-A-05 is a material weakness. The reportable condition noted above existed in the prior year.

Compliance

As part of obtaining reasonable assurance about whether the City of Dysart's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the Mayor, City Council, employees and citizens, and other parties to whom the City of Dysart may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dysart during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 24, 2005

CITY OF DYSART
Schedule of Findings
Year Ended June 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-05 Segregation of duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that any employee in the office can open mail, list out cash receipts, and make bank deposits. Also, the individual responsible for maintaining cash records performs the monthly bank reconciliations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the City review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will review their present internal control procedures and will consider additional review procedures where practical.

Conclusion – Response accepted. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF DYSART

Schedule of Findings

Year Ended June 30, 2005

Part II: Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the Community/Economic Development and Capital Projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions - Business transactions between City officials or employees and the City are as follows:

<u>Name and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ed Clouse, Council Member Owner of E.C. Concrete & Masonry	Paid for miscellaneous concrete work	\$ 727

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council member does not appear to represent a conflict of interest since the total transactions with the individual totaled less than \$1,500 during the fiscal year.

II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF DYSART
Schedule of Findings
Year Ended June 30, 2005

Part II: Findings Related to Statutory Reporting (continued)

II-H-05 Revenue Bonds - The City has established the sinking and reserve accounts required by electric revenue bond resolution.

II-I-05 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-J-05 Required Publications - The City failed to make the salary publication in compliance with Chapter 372.13 of the Code of Iowa Attorney General's opinion dated April 12, 1978.

Recommendation - The required publication should be made on an annual basis.

Response - This was a simple oversight. The publication will be made in the future.

Conclusion - Response accepted.

CITY OF DYSART

Audit Staff

This audit was performed by:

William E. Murray, CPA, Audit Partner

Megan McDermott, Associate

Laura Cuckler, Associate